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PROGRESS ON THE IMPLEMENTATION OF THE UNITED NATIONS SYSTEM OF NATIONAL ACCOUNTS AND USES OF THE DATA IN AFRICA

LC/NAIROBI

INTRODUCTION

1. During the third session of the Joint Conference of African Planners, Statisticians and Demographers held in Addis Ababa, March 1984, the Statistical Committee discussed the subject of the implementation of the United Nations System of National Accounts (SNA) in countries of the African region and expressed concern that despite steady progress in implementing the system in general, the status of its implementation in many countries left much to be desired. The committee was also concerned that perhaps the fullest use was not being made of the system by planners and policy makers in describing and analysing economic change and in economic decision-making.

2. These sentiments were subsequently echoed by participants at the ECA National Accounts Training Workshops held in Addis Ababa, 30 September - 11 October 1985. Proposals for remedial action included more frequent inter-action of national accounts statisticians and development planners, so as to further increase the awareness of development planners that for proper and implementable development plans up-to-date and reliable statistics are needed. However, it was noted that some progress had been made in this direction in some countries by the establishment of producers/users committees on statistics, and that at the regional level the sessions of the Joint Conference of African Planners Statisticians and Demographers provided appropriate forum for much interaction.

3. The workshop was particularly concerned about the use or non-use by national planning ministries of the national accounts data which are being produced by statistical services and other institutuions within countries. In this regard, the hope was expressed that frequent meetings between producers, users and potential users of the data could help bring about a better understanding and more effective use of the data for national planning and development.

4. In view of the vast potentialities of the SNA for socio-economic analysis and planning, effort should be made by countries to design suitable accounts and tables which would be appropriate to national planning needs using the framework of SNA as a guide. Within this framework, countries can improve, elaborate and extent their national accounts and co-ordinate and systematize their systems of basic statistics.

5. The main focus of this paper is on the progress in the implementation of the SNA in the countries of the African region particularly over the last five years, and the uses of the data.

Implementation of the System

6. All indications point to steady progress in the implementation of the SNA in a number of countries. While some countries have made significant progress in compiling the accounts and tables, others are, as will be shown later in this paper, in the process of compiling some of them. An examination of official national statistical publications and national advisory mission reports reveals that an increasing number of countries have been compiling more of the SNA account and tables over the last five years. However, there are a number of countries in which the lack of trained national accounts staff has caused implementation to be somewhat slow.

7. Lack of trained staff has however not been the only constraint. Other constraints include the non-availability of basic economic statistics for constructing the accounts, and the building up of appropriate administrative machinery for generating well-balanced flows of data from related subject divisions of the statistical service and its field survey organization.

8. About one-half of the countries has compiled some of the selected accounts and tables of the SNA with varying degrees of completeness for a number of years. In some of these countries compilation has been on an ad-hoc basis. Among countries which have compiled these accounts and tables those which have received external technical assistance especially from the United Nations, feature prominently. This fact points to an urgent need for building up national capability which will ensure continuity of the work.

Compilation of the accounts

9. Out of the 31 countries for which information was available for this review, 21 have compiled the consolidated accounts of the nation, i.e., class 1 accounts:

Account 1 - Gross domestic product and expenditure
Account 3 -- National disposable income and its appropriation
Account 5 - Capital finance
Account 6 - External transactions

Two more countries have compiled only accounts 1, 3 and 5. In some cases savings are valued "gross", i.e., including consumption of fixed capital, and compensation of employees and operating surplus are not estimated separately. Lack of basic data which would normally result from censuses and surveys of economic activities has been able to compile the second half of account 5, and this has meant that data on net acquisition of financial assets, net incurrence of liabilities plus net lending to the world have not been made available.

10. Much less progress has been achieved with compilation of the class II accounts-production, consumption and capital formation accounts. Only six countries have attempted to compile some or all of these accounts on commodities and services. Egypt has compiled a complete set of the accounts. Libya has compiled accounts on final consumption expenditure of private non-profit services to households and final consumption expenditure of households. Benin and Sudan have compiled final consumption expenditures of government services, of households, and of producers of private non-profit services to households and Zaire has compiled production accounts - (agriculture and industry) - and accounts for producers of government services.

11. Information was available on 19 countries which have compiled the class III accounts, i.e., income and outlay and capital finance accounts for general government. Few countries have however attempted the capital finance part of the table. The position is far less encouraging as regards the other accounts. 11 countries: Benin, Burkina Faso, Botswana, Cameroon, Congo, Egypt, Ivory Coast, Liberia, Morocco, Swaziland and Zambia have compiled accounts for non-financial enterprises, corporate and quasi-corporate. Benin, Burkina Faso, Egypt and Morocco have attempted accounts for financial institutions and private non-profit insiitutions serving households except that Morocco has compiled only the accounts for financial institutions. Accounts III E - Households, including private unicorporated non-financial enterprises are available for Burkina Faso, Botswana, Cameroon, Congo, Ivory Coast and Morocco.

Supplementary accounts for developing countries

12. Although the SNA assigns the highest priority to the consolidated accounts of the nation -- i.e., production accounts by main industries, consumption, composition of gross capital formation, external transactions and parts of the income, outlay and capital finance accounts, it suggests that "a number of developing countries may find it of value to compile special national accounting data in respect of selected rural and urban areas .... The rural areas of most developing countries will account for a major part of the population and production of their economy". The system has therefore provided for the developing countries the class IV accounts - in respect of selected areas, and class V accounts -- in respect of key kinds of economic activity. No information on the compilation of these special accounts by African countries is available, but it is believed that not much progress, if any, has been made in this direction. However, it is hoped that with the rapid changes that are taking place in the socio-economic circumstances of countries of the region, and the increasing demands for a disaggregation of socio-economic data at sub regional level for planning, monitoring and evaluation economic and social development, fresh efforts will be made to compile some at least of these special accounting data.

Supporting tables in current prices - production, consumption expenditure and capital formation accounts: SNA. Tables 1-7.

13. Annex 1 presents a comparative account of the coverage of the supporting tables which have been compiled by various countries.

Table 4a - Gross domestic product by kind of economic activity

14. Nearly all countries which have implemented the revised SNA have compiled this table. However, defects exist. Imputed banking service charges are, in a number of cases, not shown. Net indirect taxes by kind of economic activity and compensation of employees and operating surplus, value added by producers of government services and producers of private non-profit services to households are not shown.

Table 7a - Government final consumption expenditure according to cost composition and purpose

15. A good number of countries have compiled the table which is a very useful source of information on the role, growth and importance of the various organs of government.

Table 8 - Private final consumption expenditure (a) by type and (b) by object

16. Not many countries have compiled these tables. Only 10 countries have compiled both tables, while three other countries have attempted only table 8 (a) and another six countries, table 8 (b).

Table 9 - Composition of gross capital formation by (a) type of capital goods and (b) kind of economic activity.-

17. The table has been compiled by 34 countries. Of this number, nine countries have compiled only part (a) and another two countries part (b).

Co-ordinating function of the SNA

18. The SNA in its present form has numerous distinct built-in features that commend its use by developing and developed countries. The system provides an excellent framework for the collection of integrated sets of statistical data, a feature of particular relevance to African conditions, and also contains in its accounts and tables the necessary statistical data essential for economic analysis as well as for the formulation, implementation, monitoring and evaluation of development plans.

Uses of the SNA by African countries

19. This paper attempts to find out to what extent the SNA has been used in the African region as a framework for the formulation of data collection programmes, the extent to which the data called for in the construction of the various accounts and tables have been used to determine which surveys and censuses need to be undertaken and the types of basic statistics with which these inquiries are concerned.

20. Country practices in the use of the system have varied as is evident from the following selection from country replies:

(a) The revised SNA in respect of most sectors and classifications has been used as a framework for the formulation of the country's data collection programmes

(b) Most of the revised SNA classifications have been used in either the collection and compilation of basic data and the compilation of national accounts

(c) Most of the revised SNA classifications have been adopted for use in both the collection and compilation of basic statistics and in the compilation of national accounts

(d) Usually when a survey is designed SNA classifications and definitions are used as far as possible. An effort is being made to collect basic information according to the revised SNA on production accounts

(e) All possible attempts are being made to adapt survey questionnaires to the revised SNA. A good number of the accounts and tables of the revised SNA have been compiled with varying degrees of completeness

(f) The revised SNA has been used to some extent as a framework for the formulation of data collection programmes

(g) The country has not been able to implement the revised SNA definitions and classifications for data collection because of serious staff shortages.

(h) The revised SNA has not been systematically used as a framework for the formulation of data collection programmes, but SNA recommendations have been used to modify some survey programmes. The country compiles national accounts according to the revised SNA and not the courcier system as before.

21. From the above selection of country replies, one can conclude that African countries are in fact using the SNA as a framework for the formulation of data collection programmes.

22. However, not much information is available to the ECA secretariat on the use of the system for planning and economic analysis. Suffice it to say that the degree of use varies from country to country. Some development plans have been so formulated that quantifiable targets have not been put forward and the criteria by which the implementation of the plan may be judged do not therefore exist. The evaluation of plan progress would require up-to-date statistical series, in particular data relating to production -- agriculture, industry, etc--capital formation, revenue and expenditure of the public sector, external trade, balance-of-payments, etc. In other words, annual national accounts statistics in both current and constant prices are needed.

23. Not very many African countries compile and produce these data on an up-to-date basis. In a number of countries the data simply do not exist. In these cases planners have therefore resorted to planning without statistics, or try to do, some 'quick' national accounts estimates. The results in some cases have been inplausible. Delays in the availability of the national accounts series have been numerous. Such delays have certainly created problems for the formulation of development plans, and more so for plan appraisal and monitoring.

24. As a result, while most African development plans give data on the planned growth rates of GDP, few provide growth in GDP by sector, i.e. by kind of economic activity, and rates of the components of expenditure on GDP, i.e. capital formation, consumption (public and private) and exports and imports. Planned investment by sector and its sources of financing represent another area where, not infrequently, data are not available.

Conclusion

25. On reviewing the progress on the implementation of the SNA in African countries, the seventh session of the Conference of African Statisticians held in Dakar, 1971, had this to say:

"In the case of the French-speaking countries, tables on resources and uses classified by commodity group had been traditionally compiled; and the commodity flow approach and disaggregation had been emphasized. This would facilitate the transition in these countries to the compilation of the commodity accounts and tables of the revised SNA. However, difficulties would be encountered in compiling the accounts on income and outlay and capital financing because of the lack of basic data...."

"In the case of the English-speaking group, the production approach was frequently used and this would facilitate the compilation of the SNA accounts in respect of industries. They would however need to gather additional data on the output and use of commodities and for purposes of compiling the income and outlay and capital finance accounts ....". 1/

26. Much progress has been made in the construction of the national accounts since then, in spite of the extensive basic data requirements for some accounts and tables. However, a lot remains to be done if the full potentialities of the SNA for economic analysis and planning are to be realized. In addition, the national accounts should be produced on a regular and up-to-date basis. This calls for the building up of national capabilities. To this end the ECA National Accounts Capability Programme (NACP) has been providing and will continue to provide assistance, resources permitting, to countries. The programme aims at expanding

1/ Report of the 7th Session of the Conference of African Statisticians (E/CN.14/547) para. 96-97.

the present programme of technical assistance in national accounts into a more sustained package programme with a view to building national capability for compiling reliable and timely national accounts as an integral part of a country's statistical development effort.

27. The inadequacies and failures of the planning process cannot be attributable the data limitation only. The users-here we are talking of African Planners- have usually the responsibility, the authority and the access to resources to strengthen the process of statistical development.

28. It is to be hoped that the 1980 round of population, agricultural and industrial censuses, the national household surveys recently conducted or planned, and the International Comparison Project (ICP), will lead to the generation of much needed data for the implementation of the System of National Accounts in Africa, improve its quality and reliability and thus help make development planning easier.

29. It is essential for a development planner to have, at least in his mind, some sort of picture of the economy he is studying, "without a framework, individual pieces of information remain largely meaningless. The picture may be blurred and uncertain but it is essential to have one, if the programmes to be developed are not to hang in the air" 1/. "The framework need not be complete for the planner to be successful, nor must the national accounts estimate be exact"2/ .

1/ W.H. Stolper: Planning Without Facts (with reference to Nigeria) Harvard University Press 1966.

2/ R.M. Barkay: National Accounts with Limited DAta (with reference to Liberia) Economic Development Report No. 82. Havard University 1967.

Annex I

COMPARATIVE STATEMENT SHOWING THE COVERAGE OF NATIONAL ACCOUNTS TABLES COMPILED BY AFRICAN COUNTRIES

		1a	1b	2	3	4a	4b	5	6a	7a	8a	8b	9a	9b	10	11	12a	14a	14b	15	16	17
NORTH AFRICA																						
1.	Algeria	x		x	x	x	x	x		x		x								x		
2.	Egypt	x	x	x	x	x	x	x				x								x		
3.	Libyan Arab Jamahiriya	x	x	x	x	x	x	x		x	x	x	x	x		x		x		x		
4.	Morocco	x	x	x	x	x	x					x								x		
5.	Sudan	x	x	x	x	x		x		x	x	x						x		x		
6.	Tunisia	x	x	x	x	x	x						x					x		x		
WEST AFRICA																						
7.	Benin	x	x	x	x	x	x	x		x		x		x	x	x				x		
8.	Gambia	x																				
9.	Ghana	x	x	x	x	x	x			x	x	x	x							x		
10.	Ivory Coast	x	x	x	x	x	x	x				x	x			x				x		
11.	Liberia	x	x	x		x	x					x	x									
12.	Mali																					
13.	Mauritania	x				x	x	x	x	x						x				x		
14.	Niger																					
15.	Nigeria	x		x	x	x	x	x				x	x			x	x			x		
16.	Senegal	x				x																
17.	Sierra Leone	x	x	x	x	x	x	x	x	x	x	x	x							x		
18.	Togo	x		x	x	x		x	x	x	x	x		x		x			x	x		
19.	Upper Volta	x		x	x	x		x		x		x				x	x		x	x		
CENTRAL AFRICA																						
20.	Burundi	x	x			x	x					x	x							x		
21.	Cameroon Un. Rep. of	x	x	x	x	x	x	x		x		x				x	x			x		
22.	Central African Republic																					
23.	Chad	x	x	x	x	x	x	x		x		x								x		
24.	Congo																					
25.	Gabon	x	x	x	x	x		x	x	x		x				x	x			x		
26.																						
26.	Rwanda	x		x	x	x						x										
27.	Zaire	x	x	x	x	x	x					x										

x: Indicates that the table is compiled.

		1a	1b	2	3	4a	4b	5	6a	7a	8a	9a	9b	10	11	14a	14b	16	17
EAST AFRICA																			
28.	Botswana	x		x	x	x	x	x	x	x		x				x	x		
29.	Djibouti																		
30.	Ethiopia	x				x	x					x					x		x
31.	Kenya	x	x	x		x	x	x		x		x	x				x	x	
32.	Lesotho	x				x	x	x		x		x					x		
33.	Madagascar	x		x		x													x
34.	Malawi	x	x	x		x	x					x	x				x		x
35.	Mauritius	x		x	x	x	x	x		x	x	x	x			x	x		x
36.	Seychelles	x	x	x	x	x	x					x							x
37.	Swaziland	x		x	x	x		x		x		x				x	x		x
38.	Tanzania Un. Rep. of.	x		x	x	x	x			x	x	x	x						x
39.	Uganda					x	x					x							
40.	Zambia	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
OTHER AFRICA																			
41.	Reunion	x			x	x													x
42.	Zimbabwe	x	x	x	x	x	x	x		x	x	x	x	x		x	x	x	x
43.	South Africa	x	x	x	x	x					x	x	x	x	x		x	x	x

X: Indicates that the table is compiled.

Description of the Tables

1a Expenditure on the Gross Domestic Product in Purchasers' values, at Current Prices

1b Expenditure on the Gross Domestic Product in Purchasers' Values, at Constant Prices

2 National Income and National Disposable Income

3. Capital Transactions of the Nation

4a. Gross Domestic Product by Kind of Economic Activity, in Producers' Values, at current Prices

4b Gross Domestic Product by Kind of Economic Activity, in Producers' Values at Constant Prices

5 Domestic Factor Incomes According to Kind of Economic Activity

6a. Supply and Disposition of Commodities, at Current Prices

7a Government Final Consumption Expenditure According to Purpose, in Purchasers' Values, at Current Prices

8a Private Final Consumption Expenditure by Object, in Purchasers' Values, at Current Prices

9a Composition of Gross Capital Formation, in Purchasers' Values, at Current Prices

9b Composition of Gross Capital Formation, in Purchasers' Values, at Constant Prices

10 National Income and Distribution of National Disposable Income

11. Distribution of Capital Flows

14a Income and Outlay and Capital Transactions of General Government

14b Income and Outlay and Capital Transactions of Central Government

16 Income and Outlay and Capital Transactions of Households including Private Non-financial Unincorporated Enterprises

17 External Transactions

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PROGRESS OF THE INTERNATIONAL COMPARISON PROJECT IN THE AFRICAN REGION

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Introduction

1. The purpose of the International Comparison Project (ICP) is to use national accounts aggregates as an effective basis for meaningful comparisons between countries be it at the regional or world level. Before the initiation of work on the calculation of purchasing power parities (PPP) the structure of African economies could only be viewed through the veil of exchange rates which conceal or distort many of its real features.

2. A United Nations study on purchasing power parities covering 34 countries in various regions, income levels and forms of economic organization has shown the systematic differences between the usual view of the structure of the world economy arising out of international comparisons based upon foreign exchange rate conversions and the structure one sees when actual prices are available.

ICP-Africa

3. Much progress has been made during the last two decades in the compilation and publication of national accounts aggregates for African countries. National accounts are available for almost all countries and for a number of these countries data series exist for up to 20 years. Admittedly differences exist among the series in data coverage, methods of estimation and presentation of the accounts, some of which are attributable to the level of statistical development and to national needs. But in the majority of cases these accounts have been constructed in accordance with the revised United Nations System of National Accounts. However, there is a growing feeling that the economic performance of countries cannot be truly compared using gross domestic product and related aggregates which are converted to a common reference currency by the use of official exchange rates. Also, that these official exchange rates cannot be taken to equal the 'true' purchasing power parities of the national currencies concerned. They could be considered as 'true' rates for converting goods and services that enter into international trade and used also as approximations for converting domestic product in situations where the national currencies concerned are converted into a common standard, say, gold. On the other hand, where national currencies are not convertible into an internationally accepted standard, official exchange rates cannot be regarded as the relevant rates of conversion in international comparisons of domestic product irrespective of whether the latter is expressed on a global or per capita basis. The reason being that the major part of the domestic product is consumed internally in the country and consequently does not enter into international trade thereby affecting the supply of, and the demand for, national currencies.

4. The ICP as a regional project was launched by ECA in 1970 with a view to enable valid comparisons of domestic product to be made among African countries, using volume comparisons which take account of the price levels of various components of an aggregate in different countries. This project was an extension of the world project jointly started by the United Nations Statistical Office and the University of Pennsylvania, U.S.A. from which it received technical guidance.

5. A total of 7 countries participated in the project. These were Ethiopia, Kenya, Ivory Coast, Morocco, Madagascar, Nigeria and Zaire. The original intention was to use Kenya as the common link for the binary comparisons, which would have had the advantage of facilitating comparisons between these seven countries and the U.S.A. as the binary comparison between Kenya and the U.S.A. was part of the world project. Due to the absence of detailed 'weights' in commodity detail in the case of Kenya, Ethiopia was chosen as the common link. This choice minimized but did not eliminate the problem of weighting. This weakness, coupled with a lack of comparable items, led to the transfer of a major portion of the 'weights' for Ethiopia from one commodity item to another, particularly in the case of the binary comparisons, Ethiopia -Ivory Coast and Ethiopia-Madagascar. This led to implausible results in some cases.

6. The result of the exercise was that the official rate of exchange appeared to under-state the purchasing power of some countries and over-state those of others. In the case of Morocco, Madagascar and Nigeria, the correspondence between the purchasing power equivalents of the currencies and the official rate of exchange was quite good.

ICP-World Project

7. The ICP World Project started in 1968 is now (1985) in its fifth phase. No African country participated in Phase I and one country from the region, Kenya, participated in Phase II in which the participating countries numbered 10 and 16 respectively.

8. Kenya, Malawi and Zambia participated in Phase III and Botswana, Cameroon, Ethiopia, Ivory Coast, Kenya, Madagascar, Malawi, Mali, Morocco, Nigeria, Senegal, Tanzania, Tunisia, Zambia and Zimbabwe took part in Phase IV. In addition, 55 countries from other regions participated in this Phase. The Statistical Office of the European Communities co-ordinated the Phase IV-Africa comparisons.

9. The work entailed carrying out volume comparisons which take account of the price levels of various components of an aggregate among countries. The conversion factors to be used for converting the aggregates in national currency to a common reference unit are then determined, whether real or not. Purchasing power parities which express these nominal values in real values are then derived.

10. The aggregates covered by the volume comparisons are gross domestic product (GDP) at purchasers value and its final uses, i.e.

(a) private consumption (including health services provided by general government to households).

(b) collective consumption excluding health services included in private consumption.

(c) gross fixed capital formation.

(d) change in stocks, and

(e) balance between exports and imports of goods and services.

11. Preparatory work was done in 1979 and 1980 and the necessary statistical surveys were carried out in 1980 in the French-speaking African countries. Surveys for the English-speaking countries were carried out in 1982.

12. The main purpose of the exercise is to obtain a tool for improving the international comparability of national accounts aggregates. Concentration is on one aspect of the comparability of these data, i.e. the conversion into a common currency taking into account real price level differences.

The results

13. The results of the exercise were examined at a meeting of the ICP on the Comparative Study of the Real Value of Gross Domestic Product in Africa (1980) held at Addis Ababa from 27 February - 2 March 1984.

14. In sum, the results were as follows: The price level index for a given aggregate was calculated as the ratio between the specific purchasing power parity and the exchange rate of the currency. The index for GDP expressed in relation to the average for the 15 countries corresponded to the general price level index. Of the 15 countries, 11 had a general price level below the average, while the index varied between 55 and 91 in the following order: Ethiopia, Malawi, Mali, Madagascar, Kenya, Tunisia, Tanzania, Botswana, Morocco, Senegal and Zimbabwe. Only 4 countries namely: Zambia, Cameroon, Ivory Coast, and Nigeria had a general price level above 100.The division into the two groups was largely determined by Nigeria which had a very high price level and greatly affected the average by virtue of its size. Because of the high dispersion of the overall price level the countries could be further regrouped.

15. Starting with the lowest indices, it was possible to distinguish six sub-groups: Ethiopia and Malawi in one group, followed by Mali, Madagascar, Kenya and Tunisia in another, then Tanzania, Botswana and Morocco. The fourth group consisted of Senegal and Zimbabwe, the fifth, Zambia, Cameroon and Ivory Coast which were above the average. Nigeria alone made up the sixth group with a general price level significantly higher than that of the other countries.

16. The indications are that the currencies of the 11 countries in the first group are undervalued if domestic product is compared by means of official exchange rates, whereas for the other 4 countries they are overvalued. The scale deviations vary with the general price level of each country. For example, the CFA franc is under-or overvalued depending on whether the GDP of Senegal or that of Ivory Coast is taken into consideration.

17. Purchasing power parity (PPP)has the characteristic that it sets aside international differences in relative prices so as to enable comparisons of the underlying 'volume' or real difference. In this way, it is not influenced by movements of exchange rates which can be erratic and short-lived although market rates of course remain appropriate for measuring official flows between countries.

18. The detailed results of the ICP-Africa are published in the document entitled "Comparison of Price Levels and Economic Aggregates: The Results for 15 African countries" 1985. Eurostat.

ICP-Phase V

19. All 15 African countries which participated in ICP Phase IV are participating in the Phase V exercise. In addition, the following 9 countries are participating: Benin, Congo, Egypt, Gabon, Mauritius, Rwanda, Sierra Leone, Swaziland and Zaire. This addition brings the number of African countries in Phase V to 24.

20. In all, about 80 countries world-wide will participate in Phase V. This number may change since there are several unresolved problems which may affect participation.

21. In order to prepare Phase V activities, an ICP-Africa meeting was held in Luxembourg from 15-19 April 1985. The meeting was attended by all 24 participating African countries, and dealt, inter alia, with (a) the general outline/framework of Phase V (b) methodological and organizational problems (c) calculation of elementary purchasing power parities (d) implication of participation and (e) proposals for future action.

22. As in Phase IV, Phase V activities concentrate primarily on achieving robust intra-regional comparisons which require that comparisons reflect the product characteristics of each region, and are not unduly influenced by the characteristics of consumption of other regions as could happen when direct world level studies are undertaken. Extension of the regional studies to world level will, however, be ensured through 'core country' comparisons, involving for selected countries in each region co-ordinated price comparisons for products which can be considered to have inter-regional characteristics. Some 15 countries world-wide will be designated 'core countries'. These countries will be engaged in both pricing studies for the assessment of intra-regional PPPs and in a similar but probably more extensive activity on a wider product range ensuring linkage of the separate regions to world level. It should be noted that there is a likelihood of substantial degree of overlap between the product sets defined for intra-regional comparisons. For the African region, Kenya, Nigeria and Senegal have been designated ICP 'core countries'.

Classification for the African comparisons

23. An outline of the classification for the African comparisons is given below:

Outline of the classification for the African comparisons

Final consumption expenditure of the population	(138)
Public final consumption expenditure	(9)
Comprising:	
Compensation of employees	(3)
Intermediate consumption of goods and services	(3)
Consumption of fixed capital	(3)

Gross capital formation	
Comprising:	
Gross fixed capital	
- producers durable goods	(22)
- construction	(12)
Change in stocks	(2)
Exports less imports of goods and services	(2)
= Gross Domestic Product at Market Prices	(185)

24. This classification permits the defintion of generally homogenous groupings of product for which aggregate final expenditure data are likely to be available or derivable in participating countries. By breaking down GDP at market prices into final uses the classification also defines those categories of goods and services for which final price data are required. Also, by progressively refining the classification, it is expected that the dispersion of items price ratios between countries would drop for each category. The finer the classification adopted the smaller the sampling variance of price ratios, and the precision of category parity measures would increase as category boundaries are drawn in and the number of categories increases.

25. The overall classification scheme for which expenditure data for the calculation of weights will be required would be composed of 185 basic headings. Of these, 138 or 75 per cent will be for final consumption expenditure of the population. In Phase IV the total number of selected products for household consumption numbered 936. Of these 237 products have been deleted from the Phase V list consequent on discussions at the ICP-Africa meeting, Addis Ababa, February/March 1984, and further analysis of the data provided by African countries. The reason for this was that these products did not improve the precision of the African comparisons. The present list is not exhaustive as it may not include representative products of the 9 African countries which have now joined ICP in the Phase V exercise. The essential requirement for the calculation of parities is that any product included in the list has to be priced in at least two countries to provide a link for comparison. The product must, however, be characteristic of at least one country.

Procedures

26. The methodology involves the collection of the prices which make up the gross domestic product of each country participating in the comparison, the largest series of which will relate to the final consumption of households. The inter-regional comparisons will therefore be associated with the national objectives of planning, improving living standards, pricing policies, etc. In order to formulate a price policy, for example, it is essential to know about trends in the prices of products which are representative of the consumption of households.

27. The ICP survey will cover a period of one to four months in each country, the period to be selected being that when the average prices (or price indices) are closest to annual average prices (or annual indices). In some countries this period will not be easy to identify either because it differs from one part of the country to the other, or because there are no reliable time series of prices which can be used to pinpoint this. Countries are advised to start the exercise during the good season i.e. at a time when it is possible to reach places where the survey is to be conducted. In some areas it will be the dry season, in others it will be during the moderately rainy season. Ideally, the observations should cover a whole year. Interviews are to be well spaced in order to avoid wearing out the interviewees. The sample should be changed each year.

28. The stratification procedure entails:

1. Dividing each country into economic regions which are relatively homogeneous with respect to the consumption patterns of households.

2. Subdividing each region into two areas, one urban, and the other rural, in order to take account of differences in the behaviour patterns of households in urban centres and rural communities.

3. Selecting in each area one to four centres where the surveys will be conducted.

4. Selecting in each centre and for each product, one to five survey points.

Pairing of countries for the core comparisons

29. Proposals for the organizational group in the pairing of countries for the core comparisons is as follows:

Between OECD and Africa

United Kingdom	-	Kenya
France		Senegal
Italy	-	Tunisia

Between OECD and ESCAP

United States	-	India
United States	-	Philippines
Turkey	-	Pakistan

Between Africa and ESCAP

Kenya - India

Between OECD and Latin America

Germany, FR - Argentina

There is a possibility of a Pakistan-Nigeria and a Spain-Brazil comparison.

30. ICP is facing some financial problems. However, the generous contributions of the European Economic Community (EEC) will, it is hoped, enable the African comparisons to go on without interruption.

ICP and national statistics

31. Most participating countries have reported having derived considerable benefits from the project. Some countries have used the project for the collection of useful price data and thus improve their data base in price statistics. In the area of national prices and income policies, the ICP requirements have enabled some broad measure of national prices and regional variations in terms of the population concerned. Improvements in consumer and wholesale price indexes have also been achieved. Other advantages of participation include, estimation of detailed categories of private consumption, public consumption and investment expenditure which can provide stimulation to the development of procedures which, if followed on a regular basis, can provide detailed and reliable national accounts data. Two areas where such developments are likely to occur are in the promotion of African household expenditure and consumption surveys (to provide supporting data for the sub-classification of private consumption) and in capital formation where the detailed structural analysis required to classify construction and equipment expenditures may require refinements of survey questionnaire.

32. No doubt the ICP has resulted in much improvement in price statistics and national accounts in countries of the African region.